PENSION MANAGEMENT OVERSIGHT COMMISSION

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MEETING MINUTES[1]

Meeting Date: October 17, 2007
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington St., Room 431
Meeting City: Indianapolis, Indiana
Meeting Number: 3

Members Present: Sen. Dennis Kruse, Chairperson; Sen. R. Michael Young; Sen. Robert Deig; Rep. David Niezgodski; Rep. Woody Burton; Rep. Lawrence Buell; Steve Meno; Kip White; Randall Novak; Matthew Buczolich.

Members Absent: Sen. Karen Tallian; Rep. Win Moses.

Senator Dennis Kruse, Chairperson, called the third meeting of the Pension Management Oversight Commission (Commission) to order at 1:15 p.m.

Approval of Minutes from the September 12th Commission Meeting

Cristy Wheeler, Executive Director of the Indiana State Teachers' Retirement Fund (TRF), requested that the fourth paragraph on page 6 of the Commission's September 12th meeting minutes be revised to eliminate language stating that TRF agreed to prepare a fiscal analysis for Representative Thompson's proposal to compute TRF's retirement

[1] Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is http://www.in.gov/legislative/. No fee is charged for viewing, downloading, or printing minutes from the Internet.

benefit using a statewide average teacher's salary. The draft presented (PD 3082) was not complete enough for TRF to prepare a fiscal analysis. The following language was suggested:

Cristy Wheeler, TRF Executive Director, stated that TRF is available to answer questions and provide feedback to Representative Thompson as he continues to work on his proposal.

The minutes of the Commission's September 12th meeting were approved with this correction.

Retirement Medical Benefits Account Plan (IC 5-10-8.5) Update

Christopher A. Ruhl, Director of the State Budget Agency, presented an update on the implementation of the retirement medical benefits account established by Senate Enrolled Act 501 (Exhibit 1). Members of the General Assembly, state elected officers, and employees of the executive, legislative, and judicial branches may participate in the account, which has two components: active participants and retirees. Only a retired participant and covered dependents are entitled to receive benefits from the account.

Annual and Bonus Contributions to the Account

The annual contribution for active participants is paid by the participant's employer. The amount of the contribution is based on the participant's age:

Age	Annual Contribution
Less than 30	$500
30-40	$800
40-50	$1,100
At least 50	$1,400

The account is a health reimbursement account and may be used after retirement to pay premiums for individual and group health coverage provided by an insurance policy.

A bonus contribution is paid for a participant who:

(1) terminates service after June 30, 2007, and before July 1, 2017;

(2) has:

(A) ten (10) years of service as an elected or appointed state officer; or

(B) fifteen (15) years of service as an employee of the legislative, judicial, or executive branch of state government; and

(3) is eligible for and has applied to receive a normal, unreduced retirement benefit.

The amount of the bonus contribution is equal to the participants' years of state service multiplied by $1,000 and must be credited to the account within sixty (60) days after the participant's last day of service. The process of paying the bonus contribution is coordinated among the Public Employees' Retirement Fund (PERF), the participant's employing agency, and the account's third party administrator.

Account Costs and Funding

The state's estimated cost for the account in FY 2008 is approximately $50 million: $35 million for contributions for 31,300 active participants and $14 million for an estimated 750 retired participants. The average annual contribution has been $1,100. The average bonus contribution has been $19,000.

The account is funded by a combination of a general fund appropriation and amounts from certain dedicated funds. Cigarette tax revenues were intended to cover the general fund appropriation, while dedicated funds were expected to absorb the portion contributed by the state agencies for their employees. This funding mechanism faces challenges. The cigarette tax revenues provide $23 million annually, leaving a funding shortfall of approximately $26 million per year.

Account Implementation

The State Budget Agency has taken several actions to implement SEA 501. First, with the assistance of Krieg DeVault LLP, the Budget Agency has prepared a plan document that outlines with greater specificity the details and administration of the account. Second, the Budget Agency has selected Key Benefits Administrators (KBA) as the third party administrator. KBA, which also administers the state's flexible benefit plan, will provide the following services to administer participant's accounts:

(1) Establish accounts.
(2) Receive contributions from the state.
(3) Process and pay eligible claims.
(4) Reconcile participants' accounts and provide annual statements to participants.

KBA has prepared documents and forms to register participants and pay claims. KBA also provides customer service by means of a toll-free hotline and email.

A third step in the implementation of the account has been the creation of the necessary internal reports concerning both active participants and retirees. PERF prepares a bi-monthly report of all state employee retirements for KBA. Retirements from other public funds, such as the State Police and TRF, are compiled manually.

The Budget Agency also has taken several steps to communicate with state employees about the account, including the scheduling of three informational sessions in Indianapolis, creating an internet website, and announcing the program using email and a message at the bottom of each state employee's October paycheck. Possible additional steps include publishing an article in the November issue of The Torch, the official state employee newsletter, and the scheduling of additional informational sessions outside of Indianapolis.

Account Challenges

M-Plan's withdrawal from the HMO market has resulted in challenges to the implementation of the account. To avoid the application of non-discrimination rules set forth in the Internal Revenue Code, the account, which is a health reimbursement account, may be used only to pay premiums for fully insured health insurance plans. The M-Plan HMO was the state's only fully insured health insurance plan with statewide coverage, and many participants likely were planning to purchase the M-Plan HMO at retirement in order to use the account. Wellborn also operates an HMO for state employees but its coverage area is limited to Evansville/Southwestern Indiana, so it is not a viable option for the majority of retired participants. Without the M-Plan HMO, a retired participant will need to obtain insurance through the private insurance market.

The state considered several options for coverage as the result of M-Plan's withdrawal. It contacted other providers about replacing M-Plan, but found a limited number of HMO providers and premiums for those policies at least twice as much as those available in the private market. The state also investigated the feasibility of requesting a private letter ruling from the Internal Revenue Service, but it typically takes 12 to 18 months after a request to receive a ruling, and the ruling may not be favorable to the state. If the state obtains an unfavorable ruling, certain account participants may be subject to severe tax consequences. Third, the state considered providing the benefit on an after-tax basis. While this approach would allow the account to be used for additional expenses, the entire amount in the account would be taxable immediately to a participant at retirement and would substantially reduce the amount available to provide benefits. Finally, the state is looking at partnering with other organizations, such as AARP, that would offer policies through their organizations, either statewide or nationally.

The short term challenges of implementing the account include the following:

(1) The fact that the account is a new benefit for state employees has resulted in the expenditure of more time and effort to implement and answer questions about the benefit than would be involved in expanding an existing benefit.
(2) Lack of one central database for all eligible participants has increased the complexity of account administration.
(3) Disputes over the years of service used to compute the bonus contribution have occurred, because some employees have both state and local service and only state service is used in the computation.

The identified long term challenges of implementing the account include the following:

(1) The creation of a new system to manage the growing number of retired participants drawing benefits from the account.
(2) The biggest question may be managing the cost shortfalls. The account is less than 50% structurally funded. The substantial annual deficit will recur until 2018 when the bonus contribution expires. The state is trying to manage its workforce more efficiently in order to realize cost savings to help fund the account, but more resources may be needed.
(3) The potential of being required to report the account deficit as an OPEB liability on the state financial reports.

In response to questions, Mr. Ruhl outlined the account's benefits to a participant both before and after the participant's eligibility for Medicare. Before a participant is eligible for Medicare, the account will reimburse the participant for premiums for a fully insured health policy. After a participant is eligible for Medicare, the premiums for a supplemental policy are reimbursable, but not Medicare premiums. The state may partner with another organization to offer a Medicare supplemental policy to retirees. The account was developed to encourage employees to retire by providing health coverage as a bridge to Medicare and not to provide health benefits to retirees for the rest of their lives. If an employee works past the time that the employee is eligible for Medicare, the employee who otherwise meets all of the eligibility requirements will have the account available for use, but may not have any expenses eligible for reimbursement.

Section 401(h) Account Update

Andrea Unzicker, General Counsel for PERF, provided an update concerning PERF's implementation of a Section 401(h) account for state employees who are members of

PERF(Exhibit 2). The account will provide a tax-free amount that may be used after retirement to pay medical-related expenses. The types of medical expenses eligible for reimbursement by this account are more expansive than the expenses eligible for reimbursement from the account discussed by Mr. Ruhl. There is no time limit in which the account must be used, and the funds are available until they are exhausted.

When a state employee retires with unused vacation leave, the state is required to make a mandatory contribution equal to the number of unused hours of leave, up to a maximum of 30 days, times the employee's hourly pay rate at retirement. The state will also pay a 2 to 1 match for all converted amounts.

PERF submitted an approval request to the Internal Revenue Service in July and anticipates receiving an initial response by early 2008. If PERF receives Internal Revenue Service approval for the account, PERF anticipates implementation by Fall 2008. PERF is developing an RFP for an account administrator.

IPFW Institute for Pension Plan Management

Dr. Geralyn Miller, Director, provided a sneak preview of the new Indiana University-Purdue University Fort Wayne (IPFW) Institute for Pension Plan Management (Institute). The formal announcement of the Institute's creation will be on October 18. After a nationwide search, the American Society of Pension Professionals and Actuaries (ASPPA) is moving its credentialing program to IPFW. ASPPA offers certificate programs for pension and retirement plan professionals. The Fort Wayne-Allen County Economic Development Alliance, the Indiana Economic Development Corporation, and Lincoln Life Insurance are also involved in the Institute's start-up.

IPFW's Institute has a three fold mission: (1) To provide education and training for industry professionals. (2) To provide a talent pipeline by means of ASPPA's certificate program. (3) To conduct research and provide technical support in the pension and retirement plan arena. Boston College conducts nationally recognized research on the accumulation of pension assets, but does not provide much research on the distribution side. The Institute intends to concentrate on the distribution side.

Proposal concerning the Award of TRF Military Service Credit

Ralph Ayres, Executive Director, Indiana Retired Teachers Association, provided a brief history of and current limitations on TRF's award of service credit for military service. In the 2007 session, Representatives, Kersey, Koch, and Soliday proposed providing up to six years of military service credit for all TRF veterans no matter when the military service was performed (HB1036). The bill passed the House and was referred to the Senate Pensions and Labor Committee, which considered limiting the service credit award to World War II and Korean War veterans. A determination of the true cost of the service credit was problematic, because of the difficulty knowing the number of TRF members who would qualify for the credit and the number of years of military service those members have. Because of this issue, the topic was referred to the Commission for further study. The Indiana Retired Teachers Association's position is that a TRF member should receive credit in TRF for the member's military service no matter when the military service was performed.

Cristy Wheeler, TRF Executive Director, discussed TRF's research to determine the number of TRF members who might qualify for the award of additional service credit. After consultation with Walker Research, TRF surveyed its members to determine whether the member had military service, and if so, whether TRF had awarded service credit to the member for the military service. If TRF had not awarded service credit, the member was asked how much uncredited military service the member had. The survey response rate was 52%, much higher than usual for this type of survey. Ms. Wheeler asked Commission members to keep in mind that the funding stream for the increased benefit would come from the pension stabilization fund.

TRF's Current Rules Concerning Military Service Credit

Tom Davidson, TRF's General Counsel, summarized TRF's current rules concerning military service credit (Exhibit 3). Military service means service in the United States armed forces, including the National Guard and Reserves when they are on active duty. Alternative service, such as the Peace Corps or service as a conscientious objector, does not qualify for military service credit. Other requirements necessary for a member to receive the credit are that the service was active duty service and the member received an honorable discharge. The service can be voluntary or involuntary (through the draft). The rationale for awarding the credit is to replace service credit that would have been earned in TRF had the member's teaching career not been interrupted by active military service.

Originally, the General Assembly required that a TRF member's teaching service be interrupted by active military service in order for the member to receive military service credit (1945 Teachers Retirement Act). Before 1980, a teacher was required to make up the missed employee contributions in order to receive service credit for the active military service. In 1980, the requirement that a teacher make up the employee contributions was eliminated and requirements that the member receive an honorable discharge and return to teaching within 18 months after discharge were added. In 1989, the law was changed to include members who had begun, but not finished, teacher training when the member entered military service. In 1991, teachers in state institutions who had begun, but not completed, baccalaureate or post-baccalaureate education before entering military service became eligible for the service credit. In 1994, the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) went into effect. This law did not change TRF's award of military service credit, because TRF's provisions are more generous than what is required under USERRA. In 2001, the General Assembly authorized an active TRF member who has military service and is not eligible to receive credit in TRF for the service under any other provision to purchase up to two years of service credit at the actuarially established rate. In 2006, the use of military service for credit was limited to one retirement plan. In 2007, the requirement that a member return to teaching or teacher training within 18 months after discharge was increased to 24 months.

Even though TRF is more generous than the federal USERRA law requires, some TRF members who are veterans do not qualify for TRF's military service credit. Some of the reasons why TRF members do not qualify for the credit are: (1) the member's teaching career was not interrupted by active military service; (2) the member did not receive an honorable discharge; (3) the member did not return to teacher training or service within the time period required by law; and (4) the member's military service is being used in another retirement plan. Of course, an active TRF member has the option to buy up to two years of military service credit that cannot otherwise be awarded.

Fiscal Analysis of the Proposal

John Dowell, Alliance Benefit Group, the TRF actuary, presented a report concerning the actuarial liability for the proposed award of up to six years of service credit to TRF members who are veterans of World War II or the Korean War (Exhibit 4). The report included the TRF member survey results, a statement of the report's assumptions and methodology, and an estimate of the fiscal impact on TRF of the proposed award.

Of the 40,000 retirees reported in TRF's July 1, 2007, valuation data, approximately 6,300 are males born prior to 1936. TRF sent 5,800 of these members a military service survey, and 3,000 (52%) responded. The responses indicated that 17% of the respondents had no military service, 23% had military service that had been credited by TRF under current law, 23% had military service that had not been credited by TRF under current law, and 37% had military service, but they were unsure whether the service had been credited by TRF under current law. The average length of service reported was three years.

In preparing his report, Mr. Dowell assumed that all retired members who reported military service that had not been credited would, under the proposed award, receive credit for that service. He further assumed that: (1) 40% of the members who responded that they were unsure whether their military service had been credited by TRF would be entitled to additional credit; (2) survey non-responders would be half as likely as the responding group to have military service eligible for additional credit: and (3) the 500 members not surveyed would be entitled to additional credit for military service at rates similar to those members who were surveyed.

Using these assumptions in his calculations, Mr. Dowell found that, for the surveyed group, the estimated increase in annual benefit payments attributable to the proposed award of service credit is $2,310,000 and the estimated increase in the present value of benefits is $22,100,000. Because nearly all of the estimated additional liability under the proposed award is the responsibility of TRF's Pre-1996 Fund, and the Pre-1996 Fund operates on a pay-as-you-go basis, the increase in the annual cost attributable to the proposed award is equal to the increase in annual benefit payments. The increase in present value of benefits measures the increase in the unfunded liability and the ultimate cost of the proposed award to TRF.

TRF did not survey participants born after 1935 so there is no data to support a cost calculation for an award of additional service credit to those TRF members with military service. Nevertheless, to provide some sort of estimate for the award of additional service credit for post-Korean War military service, Mr. Dowell extended the methodology and assumptions used in preparing his report to make a rough estimate.

If the male post-Korean War military participation is 10%, the total annual cost for crediting both pre- and post-Korean War military service is $3.5 million, and the increase in the present value of benefits is $51 million. If the male post-Korean War military participation is 20%, the total annual cost for crediting pre- and post-Korean War military service is $4.5 million, and the increase in the present value of benefits is $78 million.

In response to a question as to how other retirement funds credit members' military service, Steve Buschmann representing the Indiana State Police Alliance stated that state troopers may purchase military service credit.

Prosecuting Attorneys' Retirement Fund

Steve Johnson, Executive Director of the Indiana Prosecuting Attorneys Council, discussed several legislative changes that would conform certain provisions of the Prosecuting Attorneys' Retirement Fund to current provisions of the Judges' Retirement System (Exhibit 5). Mr. Johnson thanked the General Assembly for conforming some provisions of the Prosecuting Attorneys' Retirement Fund, specifically the reduction of the vesting requirement to eight years and an increase in the retirement benefit to a maximum of 60% of salary with 22 years of service. He also noted that other benefits provided to prosecutors generally are equalized with those benefits provided to judges, including salary.

The following legislative changes were proposed to conform the benefits provided by the prosecutors' fund to the benefits currently provided by the judges' fund:

(1) Provide for a prorated retirement benefit for partial years of service.
(2) Eliminate required contributions for participants after 22 years of service.
(3) Increase the salary percentages so that a prosecutor's disability benefit is the same as a judge's disability benefit for the same years of service.
(4) Change the eligibility requirement for a disability benefit to a disability rendering the participant unable to perform the duties of a prosecutor.
(5) Eliminate the requirement that a participant complete at least five years of service in order to qualify for a disability benefit.
(6) Reduce from .25% per month to .10% per month the reduction factor for retirement before age 65.
(7) Increase the minimum death benefit paid from $7,000 to $12,000.
(8) For purposes of computing a retirement benefit, define "salary" to include the total salary paid to a participant by the state and by a county or counties.

Doug Todd, Senior Actuary, McCready and Keene, Inc., reviewed the fiscal impact of the proposed legislative changes on the Prosecuting Attorneys' Retirement Fund (Page 3 of Exhibit 5). The total increase in the unfunded liability for all eight proposed changes combined is $1,470,000, the increase in annual funding is $413,000, and the increase in the annual funding as a percentage of payroll is 2.2%. Mr. Todd noted that all proposed legislative changes are assumed to apply only to current active members. Retired members and members who terminated with vested benefits were assumed to be unaffected by the proposed changes.

George Awkerbrand of the Gibson County Prosecutor's Office spoke in favor of the proposed changes.

Judges' Retirement System Issues (HEA 1480)

The Commission reviewed Preliminary Draft 3191 concerning judges' pensions (Exhibit 6). The draft allows a person serving as a full-time magistrate on July 1, 2010, and requires a person who begins serving as a full-time magistrate after that date to become a participant in the Judges' 1985 Benefit System (1985 System). Additionally, the draft, after December 31, 2009, bases the computation of the annual retirement benefit for a participant in the 1985 System on the salary being paid for the office that the participant held at the time of the participant's separation from service, rather than the salary paid to the participant at the time of the participant's separation from service. Finally, the draft increases the court administration fee from $3.00 to $4.50 and directs that the additional amount be paid into the Judges' Retirement Fund.

Mr. Todd reviewed the estimated fiscal impact of PD 3191 on the Judges' Retirement System (Exhibit 7). He compared this estimate to the estimate that he presented to the Commission on August 29th (Exhibit 4 to the minutes of the Commission's August 29th meeting). The current fiscal analysis is based on the following assumptions:

(1) Changes to the judges' retirement benefit that align the 1985 System with the 1977 System will be delayed until January 1, 2010.
(2) Entry of magistrates into the Judges' Retirement System will be delayed until January 1, 2011.
(3) Changes in the computation of the retirement benefit for participants in the 1985 System (to align the 1985 System benefits with the 1977 Systems benefits) will apply to all participants in the 1985 System, both active

participants and retired participants.
(4) A magistrate who elects to transfer to the Judges' Retirement System prior service earned in PERF as a full-time magistrate, referee, or commissioner will pay the total cost for the transferred service.
(5) The increased costs will be amortized over ten years.

The estimated fiscal impact of the changes, if the Judges' Retirement System were actuarially prefunded would be:

	Magistrates	Alignment	Both
Increase in unfunded accrued liability	$3,473,552	$47,297,06	$49,711,764
Increase in annual funding (in dollars)	$1,129,671	$ 6,460,36	$ 8,051,768
Increase in annual fund (as % of payroll)	(3.1%)	19.0%	14.0%
Decrease in funded status	0.2%	9.6%	9.1%
Decrease in PERF annual funding	$ 416,000		$ 461,000

Because the Judges' Retirement System is not actuarially funded and instead is funded on a "pay-as-you-go" basis, Mr. Todd also computed the estimated increase in benefit payouts over the next nine years for each change separately and for both changes:

Plan Year	Magistrates	Alignment	Both
2007-2008	-	-	-
2008-2009	-	-	-
2009-2010	-	$ 936,086	$ 936,086
2010-2011	$ 38,056	2,394,159	2,432,215
2011-2012	188,870	2,952,167	3,143,792
2012-2013	314,442	3,573,233	3,897,361
2013-2014	450,608	4,314,362	4,786,573
2014-2015	577,694	5,024,304	5,640,991
2015-2016	683,985	5,825,981	6,571,561
Total	$2,253,657	$25,020,290	$ 27,408,580

Amy Levander Flack representing the Indiana Judges Association provided the number of active and retired participants for the 1977 System and the 1985 System. She also requested that the words "that was" on line 9, page 5 of PD 3191 be deleted, so that the salaries being used in the retirement benefit computation will be the same for both the 1985 System and the 1977 System. The Chair directed that this change be made in the next draft.

Mark Goodpaster, Senior Fiscal Analyst, Indiana Legislative Services Agency, presented a chart showing the revenues and expenditures for the Judges' Retirement Fund for fiscal years 1999 through 2006 (Exhibit 8). During this period, member contributions have increased from $1.55M to $1.84M, and the revenue from court fees has increased from $3.38M to $5.16M. Benefit distributions have ranged from $7.33M in 1999 to $11.22M in 2006.

After discussion by Commission members, the Chair asked that another draft be prepared that: (1) delays until January 1, 2010, the alignment of the retirement benefits of the 1985 System with the retirement benefits of the 1977 System; (2) delays until January 1, 2011, the entry of magistrates into the Judges' Retirement System; (3) limits the benefit recomputation for retired participants of the 1985 System to prospective increases only (increases that occur after December 31, 2009); (4) requires magistrates to pay the total cost for service transferred from PERF to the Judges' Retirement System; and (5) increases the court fee by $2.00 (instead of $1.50).

Representative Buell requested that the next draft also include provisions that would allow a member of the 1985 System to transfer to the Judges' Retirement System service earned in PERF as a full-time magistrate, referee, or commissioner after the member leaves an elected term on the bench. The Chair directed that these provisions be added to the next draft.

Senator Young asked that Marion County small claims courts be exempted from collecting the proposed $2.00 court fee increase, because the small claims court judges do not participate in the Judges' Retirement System and would not benefit from the increase. The Chair did not direct that the next draft include this provision.

Proposal to Compute TRF's Retirement Benefit Using a Statewide Average Teacher's Salary

The Chair advised the Commission that Representative Thompson requested that this proposal be withdrawn from further consideration by the Commission at this time. The Commission accepted Representative Thompson's request.

Preliminary Draft 3192 concerning the Reduction in the Waiting Period for Reemployment After Retirement for TRF Members

The Commission reviewed Preliminary Draft 3192 (Exhibit 9), which reduces from 90 days to 30 days the waiting period after which a retired member of TRF may be reemployed in a covered position and continue to receive a retirement benefit. This draft supersedes PD 3062.

In response to a question from Senator Young, Mr. Davidson, TRF's General Counsel, suggested that the draft be revised to require that the reduced waiting period be implemented only if the TRF board of trustees receives from the Internal Revenue Service any rulings or determination letters that the board considers necessary or appropriate. The Chair directed that the draft be revised to include this language.

Preliminary Draft 3176 concerning PERF Annuity Savings Accounts

The Commission reviewed Preliminary Draft 3176 (Exhibit 10), which allows a PERF member who: (1) is vested; (2) separates from employment; (3) does not perform service in a covered position for at least 90 days after separation; and (4) is not eligible at separation to receive a retirement benefit; to elect to withdraw the entire amount in the member's annuity savings account. A member who makes the withdrawal is still entitled to receive a retirement benefit equal to the pension provided by employer contributions, unless the member has transferred the service earned in PERF to another governmental retirement plan.

State Police Pension Issues

Preliminary Draft 3164

Staff presented Preliminary Draft 3164 (Exhibit 11), which allows a state police motor carrier inspector or a capitol police officer who is serving on July 1, 2008, to elect, and requires a person who begins serving as a motor carrier inspector or a capitol police officer after June 30, 2008, to become a participant in the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan (Plan). The draft also renames the Plan the State Special Law Enforcement Officer Retirement Plan.

Mr. Todd and Elaine Beatty of McCready and Keene, Inc., reviewed the fiscal impact of making these changes (Exhibit 18 to the minutes of the Commission's September 12, 2007, meeting). The fiscal analysis assumes that the impact to the Plan would be partially offset by a transfer of assets from PERF representing the present value of each member's accrued benefit under PERF.

If both the state police motor carrier inspectors and the capitol police are added to the Plan, the increase in the unfunded accrued liability is approximately $10.16 M, and the increase in the annual funding is $1,334,000. The annual cost decrease to PERF as the result of the transfer of the motor carrier inspectors and the capitol police to the Plan is $320,000.

Mr. Todd suggested that, because the Plan has a mandatory retirement age of 60, the fiscal impact of the proposal could be lessened by limiting transfers to individuals who are younger than 60 years of age.

Senator Young suggested funding the proposal by adding a fee to the tickets issued by the officers who are participants in the Plan. After a short discussion in which the Commission concluded that it did not have enough information to determine the amount of the fee and how the fee might be imposed, the Commission decided to postpone action on the proposal for this interim in order to give interested parties time to gather this information and present funding options.

Preliminary Draft 3278

Staff presented Preliminary Draft 3278 (Exhibit 12), which revises the computation of the supplemental benefit provided to members of the State Police Pre-1987 Benefit System to include in the amount paid in the first year the retired member is eligible for the benefit the salary increases paid to active members in the period after the member retired and before the member qualified for the supplemental benefit. This draft supersedes Preliminary Draft 3075 and makes technical changes requested by the State Police Department.

Mr. Buschmann reminded the Commission that the fiscal impact of this proposal was included in 2007 legislation that revised the computation of the supplemental benefit and made other changes to the state police pension trust. Staff added that the proposal was not cost-free.

Next Meeting Date

The Chair announced that the Commission's next meeting is scheduled on Wednesday, October 31, 2007, at 1:00 p.m. in Room 431 of the State House. The agenda will include voting on the Preliminary Drafts considered by the Commission during this interim and approval of the Commission's final report.

The Chair adjourned the meeting at 4:20 p.m.